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ABSTRACT

The connection between higher education attainment and higher incomes has become increasingly more pronounced in recent years as the United States has moved toward a knowledge economy. What is less apparent or understood is higher education's contribution to the collective wellbeing of the nation and the world. Given humanity's growing interdependence, it is unlikely that American universities can long remain isolated from the bog that may surround them in the 21st century. Four external trends may have an especially powerful influence on higher education in future decades. Demographics, both in the United States and globally, will continue to shape the environment in which institutions operate, bringing to the fore an aging and more ethnically diverse population. Changes in the economy will continue to increase demand for college-educated workers and shape the nature of higher education's programmatic response. Information technology, most notably the Internet, will continue to alter delivery mechanisms and organizational structures. The commercialization, or "corporatization," of higher education will accelerate in both public and private colleges and universities. The paper makes recommendations to boards for building a public agenda in an age of entrepreneurship. (Contains 20 bibliographic references.) (SM)

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OCCASIONAL PAPER NO. 44

Higher Education's Future in the "Corporatized" Economy

By James R. Mingle

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The author concludes an examination of these forces with recommendations to boards for building "a public agenda in an age of entrepreneurship."

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Society's pace of change at the start of the third millennium grows ever quicker. In virtually every arena of human endeavor and in the larger environment, the list of changes is daunting. According to the United Nations, world population reached six billion in the fall of 1999 and is expected to continue to grow for most of the next century (primarily in Asia, Africa and South America) until it stabilizes at a figure estimated at 12 billion to 13 billion people. Income growth, which has so positively affected well-educated sectors in the United States and Europe, will continue to widen the gap between rich and poor both internally and across national boundaries. The 20th century, known primarily for its conflicts and violence, may be followed by a 21st century known primarily for its ecological disasters.

On the optimistic side, extraordinary advances in genetics and information technology in the past 25 years hold promise for equally extraordinary advances in the human condition in the years ahead. And society, increasingly dominated by global institutions, may create organizational dynamics both political and economic that are equal to the challenges we face.

In a telling essay entitled "Tragic Optimism for a Millennial Dawning," Harvard University evolutionary scientist Stephen Jay Gould noted that this paradox of joy and despair, of success and failure, is not unique to the 20th century. In fact, it was observed by Alfred Russell Wallace, a Gould counterpart, who wrote in 1898 about both the acceleration of technological advances and the social and moral failures of the 19th century. Gould makes similar statements about the 20th century, observing that "the lessons of history offer no guarantees

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but only illustrate the full range of potential outcomes." Gould sees one pattern, however, that comes through over the centuries—that of "tragic optimism."

If there are institutions made for the "optimistic" side of this formulation, they would be institutions of higher learning. Or so we would like to think. But will these institutions move toward solutions to society's crises, or will they retreat into the comfort of the wealthy?

"Colleges and universities tend to take credit for much of the good that occurs in a society but remain shockingly oblivious to the greatest human follies and catastrophes," writes Gordon Davies, president of the Kentucky Council on Postsecondary Education, in a recent article entitled "Castles in a Bog." "I came across a summary of *Kids Count*, an annual report prepared by the Children's Defense Fund and discovered that Kentucky ranked 40th among the states in the general well-being of its children. To my surprise, I noted that a state acknowledged to have one of the best university systems in the nation ranked just above Kentucky. I realized that it is possible for a state to build a great system of higher education without improving the conditions of its children."

The contributions of higher education to the economic and social well-being of individuals are well documented. If anything, this connection between higher education attainment and higher incomes has grown dramatically in recent years, as those with lower levels of education have become marginalized in a global knowledge economy. What is not apparent, or understood, is higher education's contribution to the collective well-being of the nation and the world. Given humanity's growing interdependence, it is unlikely that American universities can long remain isolated from the bog that may surround them in the 21st century.

Megatrends and Higher Education. There is hubris—even danger—to declaring a "megatrend." If we are too specific, we miss the mark; if too abstract, our predictions may read like a horoscope or a well-written fortune cookie message—applicable under all circumstances. A recent analysis of the education industry by Merrill Lynch has the ring of the latter. It cites demographics, technology, globalization, branding, consolidation, and out-sourcing/privatization as six megatrends that affect the $2 trillion education and

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training industry. The report, *Investing in the Growing Education and Training Industry*, draws parallels between higher education today and the health care industry 20 years ago and then predicts comparable changes in store for higher education. These changes would include an infusion of private capital, consolidation of the industry, increased used of technology, and "brand-naming."

Another common theme in recent analyses of higher education is the power of market. This refers to the growth of the for-profit sector in serving the corporate learning market as well as the end of geographic boundaries to institutional activities through the use of the Internet and other distance-learning technologies. Combine these developments with a public-policy trend toward deregulation and you have an environment serving private purposes that is much more "entrepreneurial" than that of the past.

This background provides the context for discussion of four external trends that may have an especially powerful influence on higher education in the decades ahead.

1. Demographics, both in the United States and globally, will continue to shape the environment in which institutions operate. Harold Hodgkinson has been the most consistent and articulate spokesperson for the influence of demographics on higher education. His discussion of the need to accommodate older, more racially diverse student bodies already has reshaped much of campus planning. Patterns of migration also have significantly affected the state economic and political environment in which colleges operate. Issues facing growth states such as Florida, Texas, Nevada, and California differ dramatically from those in the Northeast and Midwest, where out-migration continues. California now reports that the majority of its high school graduates are nonwhite, which makes the debate over restrictions to affirmative action even more emotionally charged.

The demographic makeup of the particular service region of an institution is the most important factor affecting enrollments. But the political climate in which institutions operate also is influential. Restrictions on affirmative action and reduced public support for it will have significant negative effects, unless they are counteracted. By some interpretations, the anti-affirmative-action climate is affecting not only admissions policies but also early outreach programs, which are no longer permitted to target clients by race.

Another important demographic fact that will affect political support is the aging of populations. In Europe and the United States, aging is likely to shift political interests away from issues that affect youth to those affecting the elderly. This will place higher education at a relative disadvantage to other social priorities for funding—a trend noted by researcher Kent Halsted as having begun in the early 1980s. (This disadvantage currently is masked by economic prosperity and growth but will be thrown into relief during the next recession.) Global population growth, however, will provide enormous opportunities for American colleges and universities to target the middle and upper classes of prospering Asian nations. American universities continue to be viewed favorably by foreign students, though not as exclusively as in the past. Other nations, however, notably Great Britain and its former

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Symposium Papers

This Occasional Paper is the fourth in a series of four commissioned by AGB to help the association determine its research agenda. The papers and their authors are listed below. For additional information on the Charlottesville Symposium, see pages 4-5.

No. 41 "AGB-UVA Symposium on Research and Scholarship on Higher Education," by Brian Pusser

No. 42 "Academic Governance: New Light on Old Issues," by Patricia J. Gumport

No. 43 "New Approaches to Research on Leadership and Governance," by Annette Kolodny

No. 44 "Higher Education's Future in the 'Corporatized' Economy," by James R. Mingle

CHARLOTTESVILLE SYMPOSIUM

This paper was one of four prepared for the Symposium on Research and Scholarship on Higher Education Governance, Trusteeship, and the Academic Presidency sponsored by the Association of Governing Boards of Universities and Colleges and the Curry School of Education at the University of Virginia. The Symposium was made possible through a generous grant from the Andrew W. Mellon Foundation. It was held on December 5-6, 1999, in Charlottesville and included the participants listed here.

Bennett G. Boggs	**Special Assistant to the Dean Curry School of Education University of Virginia**
David W. Breneman	**University Professor and Dean of the Curry School of Education University of Virginia**
Joseph C. Burke	**Director, Higher Education Program Nelson A. Rockefeller Institute of Government**
Harvey Goldstein	**Professor University of North Carolina - Chapel Hill**
Patricia J. Gumport	**Executive Director National Center for Postsecondary Improvement School of Education, Stanford University**
James Hearn	**Professor of Educational Policy and Administration University of Minnesota at Twin Cities**
Donald Heller	**Assistant Professor of Education Center for the Study of Higher and Postsecondary Education University of Michigan**
Richard T. Ingram	**President Association of Governing Boards of Universities and Colleges**
D. Bruce Johnstone	**Assistant Professor of Education Center for the Study of Higher and Postsecondary Education University of Michigan**

colonies, are better positioned to provide education to the masses through mega-universities that are more cost-effective than the American model. John Daniel, head of the United Kingdom's Open University, writes in his 1996 book *Mega Universities and Knowledge Media* that there now are 11 universities worldwide with 150,00 students or more, all of them outside the United States.

2. Changes in the economy will continue to increase demand for college-educated workers and shape the nature of our programmatic response. Higher education has been under considerable public pressure both to vocationalize its curriculum and to make its research more relevant to short-term economic goals such as technology transfer. It has been, for the most part, unusually responsive to these demands, especially in the two-year sector and the four-year and graduate professional programs. Each new job shortage is seen as a shortage in technical training and is addressed accordingly. A good example is the current response to the dearth of information technology (IT) workers. Rather than incorporating IT skills "across the curriculum," institutions, with encouragement from businesses, are launching a series of new IT-specific

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Annette Kolodny	**Professor of Comparative Cultural and Literary Studies and former Dean of the College of Humanities** **University of Arizona**
David W. Leslie	**Professor of Education** **College of William and Mary**
Thomas C. Longin	**Vice President for Programs and Research** **Association of Governing Boards of Universities and Colleges**
Judith Block McLaughlin	**Chair, Harvard Seminar for New Presidents** **Director, Higher Education Program** **Harvard University**
Margaret A. Miller	**President** **American Association for Higher Education**
James R. Mingle	**Executive Director** **State Higher Education Executive Officers**
Richard Novak	**Director of Public Sector Programs** **Association of Governing Boards of Universities and Colleges**
Barbara L. Perkins	**Director, Zwingle Resource Center** **Association of Governing Boards of Universities and Colleges**
Brian Pusser	**Assistant Professor** **Curry School of Education** **University of Virginia**
Merrill P. Schwartz	**Director of Special Projects** **Association of Governing Boards of Universities and Colleges**
Myra H. Strober	**Programs Officer in Higher Education** **Atlantic Philanthropic Services**
Alton Taylor	**Professor** **Curry School of Education** **University of Virginia**
Michael S. Teitelbaum	**Demographer** **Alfred P. Sloan Foundation**

programs (network manager, programmer, multimedia specialist, etc.). This response is being pursued despite the fact that the IT-job shortage, while substantial, affects a relatively small part of the total job market. Economists Anthony Carnevale and Stephen Rose note that the majority of college workers are employed in the "office economy" and the "high skill" service sector, which includes education and health care. All of these sectors require skills that are more general than technical.

There is considerable disagreement in both academe and the business sector as to the nature of the skills preparation people need to succeed in the modern economy. Supporters of two-year institutions, for-profit colleges, and short-course training (network certification, for example) argue for training for specific jobs. They often find allies in the business community, especially among managers who are unimpressed with the skill attainment of the entry-level workforce. Advocates of the baccalaureate tend to support general skills and critical thinking and often find allies among CEOs of the knowledge-based industries. Elected officials, especially state legislators, show a bias toward the workforce preparation provided by community colleges, in part

because it meets the immediate needs of small-business constituents, but also because it is cheaper to provide.

Carnevale argues that employers use the bachelor's degree as a proxy for those general cognitive and behavioral skills. The degree is not so much a guarantee that its holder will find a good job, but more like a prerequisite for competing. He also notes that the standards for existing jobs have been steadily increasing. Carnevale estimates that nearly three-fourths of the demand for workers with some higher education comes from educational upgrading within jobs.

3. Information technology, most notably the Internet, will continue to alter delivery mechanisms and organizational structures. At the end of 1999 there were, by some estimates, more than 100 million weekly users of the Internet in the United States. Growth rates are equally phenomenal, with some analysts estimating close to an annual doubling in use in recent years. Whatever the size and scope, there is widespread agreement that the Internet is the most rapidly adopted technology innovation in the history of the nation.

The precise level of total Internet enrollments in postsecondary education is unknown, but some estimate it to be as high as 700,000. There are literally thousands of courses now available over the World Wide Web and a host of national and state virtual universities or electronic catalogues that help students find any course.

While virtual university initiatives, such as Jones International and the online component of the University of Phoenix, have made some inroads in the higher education market, traditional institutions are quickly responding. This is especially true among urban institutions, which are using the Internet both to reach new audiences and to serve traditional on-campus students in new ways. A good example is the University of Central Florida (UCF), located in the Orlando area. As fall 1999, its fully Web-based offerings totaled 55 sections and reached nearly 2,000 students. However, only 300 of these students were enrolled exclusively in courses taken through the Web, with the remainder taking a combination of traditional and Internet-based courses.

Another 78 sections of courses at UCF are considered "media enhanced," with about half of these sections providing reduced seat time (i.e., students would meet with faculty once or twice a week instead of three or four times a week). These media-enhanced course enrollments exceed 5,000 students.

Indiana University/Purdue University at Indianapolis is another example of an urban institution that has successfully entered the Internet market. As of spring 2000, it was offering 43 courses on the Internet with an expected enrollment of about 1,000 students. Regis University, a private Jesuit institution based in Denver but operating in several states, estimates its annual Internet enrollment in excess of 5,000 students.

The biggest of all Internet providers may be the University of Phoenix (part of the Apollo Group, a publicly held corporation), which operates in multiple states and now claims to be the nation's largest private university. Its online course enrollments (again, primarily urban-based) exceed 10,000 students.

These examples reveal important information about the emerging market for technology-based instruction. First, it appears to be driven primarily by convenience factors rather than by remote access; students clearly will "mix and match" their modes of delivery as their choices expand. This suggests that name-brand traditional institutions, especially in urban areas, may be more competitive than Internet start-ups. (Long before the University of Phoenix began its online programs, it had established itself as an adult-friendly provider of traditional classroom instruction.)

Information technology is having a far more profound effect on support services and administrative functions than on instructional delivery. Functional or horizontal integration is emerging as the most powerful organizational or "governance" change as the result of the IT revolution. The convergence of voice, video, and data into single-digital networks also is causing convergence across institutional borders in such areas as video conferencing networks, library services, and even backroom and support operations such as registration, payroll, and bookstores. Much of the support function of classroom instruction over the Internet is being outsourced to a few national providers who service millions of student accounts (for example, WebCT, Blackboard, and ecollege.com). As power flows back to the

mainframe (now called a "super-server") and away from the desktop, further consolidation and integration are likely. With networked computing and commercially developed software, it already is feasible for large groups of institutions or systems to use a single administrative data system to support their campuses—a change that will greatly improve the cost-effectiveness of administrative services.

Many observers already have noted the power of the Internet to break down geographic barriers to delivery as well as eliminate "the middle-man." To some, the Internet is a "democratizing" force that gives users direct access to information and knowledge without the mediation of "experts." To others, the phenomenon is creating a "digital divide" in a society in which information is a commodity to be bought and sold, and in which those with access to computing networks rise above those who lack access.

The educational impact of the new cyber-technologies is yet unclear. For sure, we know that "no significant difference" appears in studies of traditional vs. nontraditional delivery. But critics charge that the studies either are flawed (no controls) or measure the wrong element (end-of-course exams rather than longer term effects).

IT developments have changed the educational market place in other ways. Start-up costs for an online university, even after consideration of student support costs, are far lower than for a traditional university. But as noted earlier, online enterprises face significant market challenges unless they are affiliated with "brand-names" or can gain recognition quickly through massive marketing. While the new providers have yet to undermine the research status of traditional institutions (none has attempted such an expensive proposition), they are making significant inroads on the instructional side, where employers appear to be less concerned with credentials than with skills obtained.

Most analyses of the "new market" for higher education tend to be pessimistic about the impact on traditional institutions. The assumption is that new providers, who are better financed (through the equity markets), and more nimble (i.e., no drag from labor contracts such as tenure) will gain market share and overtake traditional institutions. But these changes are taking place in an overall atmosphere of growing demand, both from traditional-age students and from adults. The parameters of the market also are being redefined to include much education and training (not-for-credit, for example) that was outside the scope of our conventional data collections. Traditional higher education may in fact be entering the situation faced in recent years by the Big Three automakers (or television networks). Yes, market share will fall, but there are still plenty of buyers to go around.

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In terms of electronic-based delivery, we can expect a sorting out and a consolidation as high quality/high service drives out low quality/low service. In a market where consumers seem insensitive to price, low-cost providers such as community colleges may be disadvantaged unless they can gain significant increases in state subsidies to raise quality.

On the other hand, many community colleges are embracing a new role as "receive sites" for a variety of programs from baccalaureate and graduate institutions. The public community colleges in Florida have more than 80 bachelor's, master's, and Ph.D. programs offered on one or more of their campuses.

Public urban universities, given the market for "convenience education," likely will prosper. Their location will provide the "high touch" many students want, while the high quality and low cost of access to technology and networks will allow them to more quickly incorporate technology delivery into their curriculum. They also appear to be quicker in adopting "shadow operations" or new units to serve new markets.

Public land-grant universities appear to be taking advantage of the high cost of private higher education and the current high demand from traditional students to become more selective. Some that have a tradition of outreach are moving aggressively into the distance-education market—often in another state or country in order to avoid the political backlash in their home states. Public research universities, however, are highly "leveraged" with federal research funds. Any change in this funding pattern will likely put them at considerable market disadvantage.

Many nonselective private colleges have a substantial history of being "adult friendly," having years ago made the transition from a traditional liberal arts curriculum to an applied curriculum. If they find their niche, they will be able to sustain and even expand in this environment, especially if the public continues to move toward voucher-type subsidies. High-cost selective liberal arts colleges appear to be impervious to these market changes, at least until the next economic recession, when their endowments will shrink and their pricing will become noncompetitive.

The unknowns in this mix are the degree to which equity markets and venture capitalists will see higher education as a growth market and how they will choose to invest their funds. Will they go for new for-profit institutions tailored to specific purposes, or invest in traditional institutions?

4. *The commercialization or corporatization of higher education will accelerate in both public and private colleges and universities.* Our legislative critics notwithstanding, many if not most aspects of higher education have been "run like a business" for some time. Only instruction (and possibly only the college of arts and sciences) holds out effectively against the onslaught of "corporatization."

Take research activity, for example. In a 1998 article called *To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*, authors Walter Powell and Jason Owen-Smith review the sweeping commercialization of research in the life sciences. With passage of the 1980 Patent and Trademark Amendment (also known as the Bayh-Dole Act), universities moved aggressively to collaborate with commercial concerns. "This legislation allowed universities, nonprofit institutions, and small businesses to retain the property rights to inventions deriving from federally funded research." Expanded in 1984, this legislation has been a boon to patents held by universities and subsequent revenues.

The Association of University Technology Managers (AUTM) reported in a survey a number of trends indicating the close relationship between industry and universities. In fiscal 1997, sponsored research funding from industry rose at triple the rate of that received from the federal government. Patents issued were up by 26 percent from the year before, as were start-up companies (333 in fiscal 97) among the 175 institutions responding to the survey. Academic institutions receiving an equity interest in start-up companies also were up a dramatic 50 percent. Finally, AUTM estimated total gross income from licenses and options at $698.5 million, up 18 percent in a single year.

While these figures are small when compared with the $75 billion provided to higher education in federal R&D, they may be a bellwether of a long-term trend. In the health field, industry support for research and development now has surpassed federal support, much of it coming from the biopharmaceutical sector. Genomics is another fast-growing area. For example, Amgen, a private corporation, paid Rockefeller University $90 million for the rights to a recently discovered gene that may play a role in obesity. More recently, the Department of Plant and Microbial Biology at the University of California at Berkeley reached a $25 million agreement with Novartis of Switzerland, which now can lay claim to first bid on a portion of the discoveries by the Berkeley faculty.

These developments are related to the changes in knowledge creation, Powell and Owen-Smith note, where real gains are often interdisciplinary and are produced by teams. These teams are now more often organized through networks (via the Internet) than through collegial hierarchies. In recent issues of the journal *Science*, the authors observed single articles authored by dozens of scientists scattered throughout the world.

The commercialization of research has its critics, and the authors note the different culture from which the trend springs. "Patent-

ing involves claim staking; publishing entails claim making. Holding patents is not so much a means of enhancing the credibility of scientists in their research world as it is a means of defending prior investment in the area. For centuries, scientists have done their work unfettered by patent constraints." Not anymore.

Other concerns about the commercialization of research include the compensation of faculty for their findings (for example, whether the rights and subsequent revenues accrue to the university or the individual or both), as well as the motivation for research. As Powell and Owen-Smith note, universities often work simultaneously toward conflicting objectives. They are trying to "safeguard faculty from commercial pressures, mandate disclosure of possible conflicts of interest *and* provide incentives to faculty working in areas with commercial potential."

Commercialization or corporatization is having another impact on higher education organizations. As these efforts increase, typically there is a concomitant devolution of financial responsibility to lower levels. This is proving especially problematic for boards as they preside over ever-smaller shares of the university budget.

Even the instructional side is now subject to commercialization as institutions and systems seek economies of scale through outsourcing and importation of curriculum development. Institutions also are seeking new for-profit organizational relationships to realize the value of their intellectual property. This may cause no small culture clash with the faculty members who are tied to a craft-industry approach.

Megatrends Meet the Academic Culture. As Howard Bowen observed in his famous "laws of higher education costs," the dominant goals of institutions are "educational excellence, prestige, and influence." In pursuit of these goals there is virtually no limit to the amount of money an institution can spend. Thus, institutions raise all of the money they can and spend all that they receive. This contrasts with the for-profit sector, where the dominant goal is the accumulation of wealth and subsequent distribution of this wealth to the owners and stockholders. As one young radical "privatizer" recently told me: "What higher education [or the state] needs to do is realize the accumulated investment they've been making by selling off the profitable parts of enterprise to the private sector."

Whether such a radical approach is taken or the institution merely stops subsidizing those "losers" in the colleges of arts and sciences, we can expect accelerated conflict between different worldviews. A few years ago, administrators of the California State University System sought to finance their pressing technological needs by making exclusive deals with vendors and allowing them access to their student markets. Faculty objected, and the deal fell through.

Faculties generally will resist the megatrends noted above, while administrators and boards may embrace them more readily. Presidents and boards appear to be quicker to see the advantages of the entrepreneurial culture, while faculties hold on to the concept of "craft."

Two more relevant cultures also can be identified. The bureaucratic culture, imposed upon the university from both within and without, emphasizes accountability, constraint, and minimal risk taking. And the political culture, which is most powerful in public institutions, is characterized by parochialism and dominated by special interests. The average state legislator intent upon supporting his or her local institution will be the last to come to the marketplace.

This clash of cultures can cut across faculties as well, as the professionals and applied scientists distance themselves, both philo-

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sophically and financially, from the traditional arts and science faculty and the less prestigious and female-dominated professional schools (such as education and nursing).

Into this mix we can toss the boards' own orientation. A 1997 AGB survey showed no significant change in the composition of boards since the last survey in the mid-1980s. Trustees are still overwhelmingly white (90 percent in privates, 83 percent in publics); are male (74 percent in privates, 70 percent in publics); and work as business professionals or attorneys (49 percent in privates, 47 percent in publics). Of the more than 3,000 public board members, only three (or 0.1 percent) characterized themselves as artists, writers, or musicians. Scientist or engineer was not used as a category but presumably can be found among some of the business professionals.

The AGB survey does not capture potential ideological shifts, which, if they mirror those taking place in society at large, reflect a more politically conservative and "private benefit" emphasis in higher education.

Boards are potentially powerful forces of change, though the dominance of and deference to professional staff, most notably chief executives, have historically muted this influence. But this dynamic may be changing, despite protestations from AGB and other observers. Activist boards are asserting themselves, often in ways that are conservative on social issues and that embrace the business model for higher education with few reservations. In the public sector, this has been greatly accelerated by turnover in governors' offices. These new governors are now able to significantly alter the composition of boards. Whether they exercise this in a partisan way varies from state to state. Even if the professional staff leavens board orientations, boards can send strong signals about which initiatives are acceptable or unacceptable. Most of the signals right now are compatible with a market-oriented, business-friendly stance by the university and incompatible with a social activist, environmental, or labor orientation.

Community activists (especially those committed to liberal causes) and racial minorities are finding it increasingly difficult to gain access to boards, given their composition. This may prove to be especially problematic if the extraordinary gaps in income and class continue to grow in the United States and worldwide. For now, the public perceives higher education as a gateway to "the good life," but it could just as easily be perceived as a barrier and an instrument of exclusion.

Implications for Boards and Further Research. I would call upon boards to react moderately, rather than overreact, to the megatrends noted earlier. That is because higher education, contrary to popular political belief, is in many ways extraordinarily responsive to the external environment—especially when that external environment demands market-driven solutions and orientations. That has left foundations, think tanks, public officials, system heads, regulatory bodies, and individual faculty members to assert the "public agenda" in this entire debate. And most of these groups either are declining in influence or have been co-opted by "business interests." This leaves it to the lay board (most likely reconstituted in terms of representation) to advocate for unpopular social and political goals and the protection of traditional academic culture (they do the latter more effectively than the former).

Specifically, these megatrends call for some counteraction by boards, presenting a number of challenges. In the face of changing demographics, boards are going to have to conscientiously build more diverse representation and greater community access. In the face of market pressures, they will have to sustain subsidies to non-profitable programs and enterprises.

They also may have to exercise their leadership to support stances that may be unpopular with politicians. Most problematic will be their mediating role across the various cultures and political cross-streams operating within their institutions.

As AGB has consistently noted, the new responsibilities placed upon boards to protect the public interest and to husband the resources of the institutions calls for a much more thoughtful selection process for public college and university trustees than currently exists in most states.

A Research and Analytic Agenda for Boards. The trends described above suggest a number of changes in how boards approach their own

decision making. The following questions should be addressed:

1. Are the analytic and budget tools used by systems and institutions adequate for the task of helping boards make informed decisions? A more global, market-driven environment suggests a more global and market-sensitive set of benchmarks for measuring progress and assessing risks. Not enough institutions and systems are using the tools of market research (client surveys, for example) in making program decisions. Seldom do they make comparisons at the national and international levels, especially if the results are unfavorable. Nor are boards presented with alternative solutions to a given problem with "risk analysis" attached to each approach. More often, unorganized data and a single predetermined staff recommendation overwhelm them.

On the budgetary side, market forces are pushing institutions toward making each cost center self-supporting. Yet the need for the institution to use "profits" to sustain important academic and public service priorities is more powerful than ever. In the past, many institutions were reluctant to make explicit the cross-subsidies out of fear that they would be unpopular with powerful legislators. The question is, which strategy—stealth budgeting or more explicit commitment to unprofitable activities—will most likely sustain and encourage the institution to run counter to market forces?

2. What are the most effective types of partnerships with business and community groups? These partnerships may, in fact, vary. It is very difficult for a nonprofit eleemosynary organization to form a partnership with a for-profit organization. One player is looking to cover operating expenses and "do good works" while the other is out to make a profit, sometimes a very substantial one.

With knowledge rapidly becoming a commodity, albeit one hard to value monetarily, such partnerships become even more difficult. This usually pushes the nonprofit to turn over the activity to the commercial sector or to create a commercial partner in which they hold interest or royalties. Important ethical considerations arise. How much should an institution sell access to its students and faculty, whether directly or through e-commerce? Can a community of scholars be maintained while some members become wealthy and others do not?

The need for the institution to use "profits" to sustain important academic and public service priorities is more powerful than ever.

Our relationships with community partners have a different characteristic. While not complicated by profit, they are complicated by "status," which often keeps us from establishing effective relationships. A sense of superiority must be replaced by a sense of equality if we are to achieve much collaboration between colleges and schools or among sectors of higher education.

3. What types of boards and structures are best in sustaining a "public mission" in the face of the market onslaught? It would be foolish for boards to ignore the opportunities for "profit-making" in this new environment of cradle-to-grave education. Last year's report by the National Association of State Universities and Land-Grant Colleges, entitled "Returning to our Roots: A Learning Society," calls upon land-grant universities to take up the cause of lifelong learning. Many of them have done so, especially when it has produced revenues for the institutions. But many employment sectors that lack readily available revenue streams also need continuing education. How do we find the internal commitment to support their lifelong learning as well?

The role of higher education leaders as "social critics" has been especially neglected in recent years. On the surface it would appear that leaders of well-endowed private institutions are better positioned to play this role than those in public institutions, but even they seem timid in the face of growing global problems and inequalities. What types of boards are most likely to take on the risky

causes, and what types of structures best protect the institution from retaliation?

Building a Public Agenda in an Age of Entrepreneurship. Admittedly, in an age when market success and the accumulation of wealth are equated with personal and social progress, it is easy to be seduced by the attractions of building an enterprise. And while colleges and universities were not created to make a profit, they certainly aren't expected in this environment to "lose money."

The multiversity described by Clark Kerr in the 1960s is even more complex and morally ambiguous than ever. What we must do, in the face of powerful market forces that push us where we may want to go, is focus our boards on a set of fundamental beliefs founded in common sense and shared values of the public good. We may provide a path for our institutions in the years ahead if we can address the following important questions:

- Do the institution's actions serve only its own self-interest, or do they address the broader public interest?
- What can we do, as institutions of higher learning, that others cannot?
- Are our decisions aimed at short-term gain or long-term investment?
- How do our decisions serve the least fortunate among us?
- How do our decisions reflect a global rather than parochial perspective?
- How will our decisions affect future generations?

The values of seeking the common good, of acting to protect the weak, of patience, and of future orientation will temper the enthusiasm of those of us in higher education for the short-term satisfaction provided by the market. We may even discover ways to make this market work toward these noble ends. ◆

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AGB recognizes its leadership responsibilities to members and to a diverse system of higher education. The association strongly believes in citizen control of our colleges and universities, rather than direct governmental control, and works to ensure that higher education remains a strong and vital national asset.

AGB carries out its mission adhering to the following objectives:

- To educate individual trustees and boards on matters that affect their institutional oversight responsibilities.
- To promote wider understanding of and appreciation for citizen leadership and lay governance as the only effective ways to ensure the quality and independence of American higher education.
- To advance the philosophy that all elected or appointed trustees serve in the public trust and should consider themselves trustees of higher education as a whole.
- To strengthen the relationship between trustees and chief executives in the fulfillment of their distinct yet complementary responsibilities.
- To stimulate cooperation with public-policy makers, government agencies, and private organizations that have a stake in the effective governance and quality of colleges and universities.
- To identify and study emerging public-policy issues of concern to higher education by providing forums for their discussion and by encouraging appropriate member initiative.